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SUBJECT: THE THAKSINIZATION OF THAILAND -- IMPRESSIONS
AFTER THREE MONTHS

Classified By: Ambassador Ralph L. Boyce. Reason: 1.4 (d)

1. (C) After six and a half years away and three months back, this seems as good a time as any to review the landscape in Thaksin Shinawatra's Thailand. For starters, there is the towering figure of the Prime Minister himself. Dominating the scene as no previous civilian leader has ever done, Thaksin's influence is everywhere. The Bangkok elite, which embraced him as the next new thing four years ago, has grown scornful of him, but he actually revels in thumbing his nose at the capital's chattering classes. Himself a self-made man from the provinces (according to his myth makers), he has successfully tapped into the aspirations of Thailand's millions. And unlike previous regimes that rode into power by buying the loyalties of the rural areas, Thaksin has also won over the millions of Bangkok residents who are not from the traditional elite) the mom and pop shopkeepers, the taxi drivers, the food stall vendors, department store salespeople and the day laborers. In 2001, for the first time in history, Bangkok voted along with the north, the northeast and the central plains. In 2005, this phenomenon actually grew stronger, as Thaksin's machine swept 32 of Bangkok's 35 seats. (The south -- as noted below -- was a significant and problematic exception.) In the country as a whole, Thai Rak Thai's (TRT) grip on 377 of Parliament's 500 seats is an unprecedented feat for a single party.

ONE-PARTY RULE?

2. (C) But is this really a one-party rule, as the newspapers love to shriek? A look at the 377 seats shows that Thaksin is actually atop what amounts to a four- or five-party coalition, i.e., more in line with recent Thai political experience. Leaving aside the 67 party list members who were elected on a national slate, a break out of the 310 constituency seats reveals the following: 165 previous TRT members, 46 from three defunct parties (Seritham-12, New Aspiration Party-17, and Chart Pattana-17) that merged with TRT, 21 defectors from other parties (Chart Thai-12, Rassadorn-1, and Democrat Party-5), 11 pre-2001 MPs and more than 40 inheritances, i.e., sons and daughters of MPs from feudal-like constituencies. In putting together his cabinet this time around, Thaksin had to juggle and placate the various factions just as Prem Tinsulanonda or Chatchai Choonhavan used to have to do repeatedly with their unwieldy coalitions.

3. (C) That said, Thaksin has significantly altered the Thai political scene, possibly forever (or at least as long as he is around). In the 2001 and 2005 elections, he and his party campaigned on issues and promises (affordable health care, village loans), and then essentially delivered the goods. Today Thailand basically has a two-party system, with Thaksin having run the most recent campaign as a referendum on him, a referendum that he most definitely won. The opposition is in disarray, with the Democrats having been reduced to a weak, regional party and the rest of the rabble having almost disappeared (or been absorbed by Thaksin's juggernaut). Thaksin accomplished this by mastering the reforms of the liberal 1997 constitution, which altered the electoral mechanics from three-member constituencies to the party list/single member format. In power, he took full advantage of the new charter's creation of a strong executive, while distorting, dismantling or delaying the new "watchdog" institutions that were supposed to check and balance that new executive power.

"CEO" MANAGEMENT AND THE CABINET

4. (C) Now Thaksin has a second term and a new cabinet with 29 of the 35 ministers reshuffled from the previous slate. This is probably a good place to note that Thaksin's vaunted CEO style of management differs markedly from the model which would have the company listed on the stock exchange, shares traded on the market, stockholders to placate and a board of directors to be responsive to. No, Thaksin's style is much more like the family-owned private company where the CEO speaks and the lieutenants carry out his will) much like, say, Shinawatra Corporation used to be while Thaksin was making his billions, or dozens of other Thai conglomerates.

15. (C) And now he runs his cabinet just like that. Among the 35 ministers are Thanong Bidaya, Thaksin's former banker (and widely rumored to have tipped Thaksin off about the coming baht devaluation when Thanong was Finance Minister in 1997), four former aides, six business friends, one police classmate, one family doctor and only eight MPs. Thaksin today has ably positioned himself to be the only star in the political constellation and could thus well be around for the next eight years or more.

16. (C) That is, unless he stumbles. Analysts have been predicting another debt-driven economic crisis since the day he put his rural lending scheme into effect and everyone upcountry suddenly had a cell phone and a pickup truck. Or the south could erupt (see below). Or, simply, the Thai people could exercise their penchant to tire of the same old thing and go for the next new thing. For the moment, however, there is no other thing than the Thaksin thing.

TENSIONS WITH THE PALACE

17. (C) Except maybe the King. In the age of Thaksin, the King has on several occasions made public his differences with Thaksin's style and more importantly, his philosophy. As respected former Prime Minister Anand Panyarachun puts it, Thaksinomics teaches that it is OK to be greedy and that money fixes everything. The King's idea is somewhat different and has been neatly summarized in a short pamphlet called, "What is Sufficiency, Economy?" This pamphlet draws on royal utterances over the past 25 years and essentially calls for a rural-based model of sustainable development. Of late, the pamphlet is being flogged by Privy Councillors, the head of the Crown Property Bureau, and noteworthy columnists as the antidote to Thaksinomics.

18. (C) In addition, Bangkok observers have been aghast at what they perceive as Thaksin's unwillingness to be appropriately obsequious to His Majesty. In the recent campaign, they claim, he swanned about upcountry as though he were the sovereign of the country. He is visibly impatient with the many royal ceremonies he has to sit through where he is not the center of attention. In this year's Mahidol Awards, he fussed and fretted in his seat while the King spoke softly to the American and German doctors who were being honored.

19. (C) But the King will not be around forever, and Thaksin long ago invested in Crown Prince futures. Nevertheless, the debate over Thailand's direction has been joined, with the outcome still in question.

CORRUPTION

110. (C) Thaksin is very rich. According to Forbes, after distributing some of his assets to his children, the PM is the third richest man in Thailand (after Charoen Sirivadhanabhakdi, Chairman, TCC Group, who owns Chang beer and has extensive real estate and hotel holdings, and Chalio Yuwittaya, who produces and sells the "Red Bull" energy drink). Does Thaksin really need to make more money? Or do people just unfairly and lazily ascribe every thing he does to an ulterior profit-making motive? Every indicator seems to suggest the adage that power corrupts and absolute power corrupts absolutely. Thaksin, his family and his business and political allies have made immense profits in the past four years and seem on track to continue doing so. Is it something in the entrepreneur's gene pool that cannot switch off the quest for more, better, greater, now, now, now? There are nuances to understand, but in all aspects of public life (Burma policy and the current follow-on jet fighter acquisition deal come to mind), a good case can be made that business or political considerations are *uber alles*.

111. (C) Recall that Thaksin was driven out of the Foreign Ministerial portfolio in 1994 because he refused to make public his assets. Recall that he entered his Prime Ministry in 2001 under a cloud when he finally grudgingly gave up control of his wealth -) and even then only to his wife, children and, in one memorable instance, his servants. In any event, if corruption has indeed reached historic proportions, as many claim, the people seem willing to tolerate it as long as the rising tide lifts all boats.

FREE TRADE AGREEMENT PROSPECTS

112. (C) If business considerations are indeed *primus inter pares*, shouldn't that bode well for our FTA negotiations? The answer is a guarded yes -- Thaksin has made it clear this is his initiative and that he understands a U.S. FTA will have to be comprehensive. This will be our single most important weapon, to be deployed when the bureaucrats and single-issue players create stumbling blocks. But that assumes we will be able to get his attention. As long as his laser beam is focused on an issue, he dominates that issue. But the minute the beam moves on to another area, the carpet mice run back out. And in the Free Trade area in general,

the current feeling in many pivotal sectors like financial services, indeed, in the country as a whole, is that FTAs are not in Thailand's interest.

13. (C) When Thaksin is not engaged in the process -) and that will be most of the time -) his two most senior economic aides and loyalists, Pansak Vinyaratn and Somkid Jatusipitak, will call the shots. Pansak seems to understand his boss's desires, and while he can always be counted on to come up with nutty, flaky ideas, he essentially will be an ally in the negotiations. Somkid is another matter. He talks a good game, and parrots Thaksin's free trade rhetoric, but we have our doubts about his true commitment to the cause. We need to mount an aggressive public relations campaign to the effect that &both sides give8 so &both sides get8 in a successful FTA. We can also point out the high opportunity costs entailed in passing up the FTA. This will be an uphill battle, in the aftermath of Chinese and Australian FTAs widely perceived to have been in Thailand's disfavor.

A NEW FOREIGN POLICY PARADIGM

14. (C) Thai traditional foreign policy style has been understated, subtle, even graceful, and widely lauded within ASEAN as among the most professional. Together with Malaysia, Singapore and Indonesia, Thailand has helped define the &ASEAN way8 over the years. Eschewing conflict, always seeking that elusive &consensus,8 keeping problems behind closed doors -- this was the formula within ASEAN for decades. But notably, under Thaksin, Thai foreign policy style has been most un-ASEAN, and even un-Thai. Today, with Thaksin often in the lead, Thailand is much more unilateralist and often prone to practice megaphone diplomacy in place of quiet persuasion.

15. (C) The recent tsunami conference in Phuket was a perfect example. Even as conferences were being organized in Japan, Indonesia and elsewhere, Thaksin's then-Foreign Minister Surakiart suddenly announced that Thailand would host a conference with a view towards establishing an early warning system for the Indian Ocean region as a while. (Admittedly, much of this had to do with Surakiart's bombastic style, and his own naked ambitions.) The Thai made little secret of the fact that they expected the center to be established in Thailand. Surakiart browbeat key countries unceasingly to send ministerial-level attendees. In the U.S. case, he was nothing short of delusional, seriously proposing that Secretary Rice attend as her first official act after being confirmed. (He even promised to &personally8 escort her to the devastated Khao Lak area.)

16. (C) In the event, the conference was largely attended by technical ministers or resident Ambassadors, and the Thai dream of achieving consensus on establishing the center here fell apart when the hosts forgot the cardinal tenet of ASEAN diplomacy) always pre-cook the deal in the hallways. Instead, they crudely tried to ram their preferred outcome down the throats of the 40-odd attendees. When several significant countries objected)- including India, Australia, and most notably fellow ASEAN member Indonesia -) the conference ended with Surakiart suggesting that those countries not happy with the Thai proposal should take a hike. It was not a pretty sight.

17. (C) The tsunami conference was a recent example, but in general Thailand's relations with Malaysia and Indonesia over the south have taken on a shrillness not frequently seen among these founding members of ASEAN. In Burma policy, the Thai effort to come up with a &Bangkok Process8 to give them cover to pursue largely their own narrow interests in Burma has collapsed. It is telling that the lead efforts in recent weeks on the problem of Burma rotating into the 2006 ASEAN Chair have come from Singapore, Malaysia and Indonesia rather than from the Thai.

18. (C) And then there is China. Some are concerned about Chinese inroads into Thailand and indeed the region as a whole. The Thaksin government seems to be embracing the Chinese wholeheartedly. Thailand is being portrayed as the gateway to China. Is this a concern for the U.S.? With the benefit of three months, reflection, it seems to be less of a zero-sum game than might appear. The Chinese are indisputably very active. Yes, they have better tailors and speak better English. Yes, they are very close with the largely Sino-Thai crowd that dominates the Thaksin government. But is every Chinese gain necessarily at our expense? It seems to be more a return to traditional patterns in the region over hundreds if not thousands of years. This is China's neighborhood, and while they were out of the picture for fifty years after the end of World War II (precisely the period when U.S. presence was paramount), they are back, and they are bringing the A team. For reasons of geography, we cannot realistically match the Chinese visit-for-visit. But we are capable of directing more high-level attention to the region, and we should.

THE SOUTH - A YEAR OF MISSTEPS

19. (C) The past twelve months have brought a series of increasingly serious developments in the three southernmost Muslim-majority provinces. In January 2004 the armory was raided. In April the Krue Se mosque incident raised the level of violence and government response to new proportions. Increasingly violent protest was met with more and more force. Last October, the horrific Tak Bai event saw 78 prisoners suffocate while in police custody, after which the Prime Minister most unhelpfully suggested that the prisoners had died because they were weak from fasting⁸ in the holy month of Ramadan! The February election was a debacle for TRT in the three provinces, as the party lost all but one seat. Still the hard-line approach continued, with Thaksin unveiling his plan to withhold all government funds for districts judged to be problematic. Indeed, Thaksin and many of his hard-line supporters around the country view the election outcome in the South as vindication of the government's policies.

20. (C) Fortunately, of late there are signs the PM may be willing to consider a new approach. His appointment of the Anand commission would seem to be a no-lose proposition -- provided he is really willing to consider whatever recommendations the panel ultimately makes -- and, more importantly, conveys that impression to skeptics in the south. Some cynics have suggested the Anand appointment is simply a cynical sop to mollify the Bangkok elite Thaksin so despises. If it is (and we don't think it is), Thaksin will have made a mistake, because Anand will not let himself be used by anyone and he won't be shy to speak his mind.

21. (C) The south is not a new problem. Some point to Thaksin's 2001 disbanding of a joint military-police-civilian task force (at the urging of his fellow policemen) as the root of the problem, but in fact its origins go back a hundred years, to the very incorporation of these ethnically and religiously different areas into the Siamese Kingdom. The Thai have yet to make a concerted effort to understand the culture and values of the Muslim south, a fact which has only compounded Muslim sensitivities in general since the onset of the global war on terror. It is high time that this neglectful, superior attitude changed.

THAILAND STANDS UP

22. (C) There are plenty of areas where Thaksin deserves credit. The tsunami disaster was generally well handled, turning a national calamity into an opportunity to demonstrate that Thailand can take care of itself. Moreover, the fact that the relief effort was centered out of Thailand was greeted in the region without dissent. The image was of an emerging leader helping weaker states in the neighborhood like Indonesia and Sri Lanka.

23. (C) And however Thailand's quixotic campaign to put now-former Foreign Minister Surakiart in the UN Secretary General's job ends up, if nothing else it is further demonstration the Thailand desires to play more of a global role. Bangkok is a much more livable city today than it was twenty years ago, traffic is manageable, the air is cleaner, the airport is first-class, the Thai smile is still charming and as a result the country is legitimately challenging Singapore and Hong Kong as a regional business hub. That is a good thing, it started before Thaksin rose to power, and it is a trend we should encourage.

THE BILATERAL RELATIONSHIP

24. (C) In Indonesia, everything we do charts new territory and defines our relationship with a country that is literally reinventing itself from soup to nuts. In Thailand, we have a mature, deep-seated, historic friendship with a stable, sophisticated partner. The scars of the 1997 financial crisis (when the U.S. was widely perceived as having failed Thailand in its hour of need) linger, but not with Thaksin. He very much sees the past as past, and is focused much more on the here and now, and prospects for the future. He studied in the U.S., and likes our business model. All of this is very good for us.

25. (C) The U.S. response to the tsunami was a huge public relations plus for us, but we do have to confront a general sense of unhappiness with elements of U.S. policy that have nothing to do with Thailand -- the war in Iraq is not popular here, despite the Thai having sent forces.

26. (C) In general, though, we continue to enjoy huge advantages in Thailand that few other countries can rival. The fact that the Embassy is among our largest in the world, and growing, is testament to this. The real challenge for us, and increasingly for the Thai, is to resist relying too much on the mantra of the "historic relationship." Instead,

we need to bring this important partnership into the 21st Century, and channel our long-standing influence in positive directions, including the further consolidation of democratic institutions in Thailand. Despite the unprecedented concentration of political power recently under Thaksin, civil society continues to develop in a healthy, Thai way. Thaksin's style is to push the envelope, but democracy in Thailand is more resilient than his critics, Thai and foreign, are willing to acknowledge. Here in Thailand, we can have our cake and eat it too -- by mixing classic "realpolitik" (which Thaksin understands and responds well to) with principled interventions when the need arises.

BOYCE